

Research on the commercial value of Tiktok in China

Yingjia Hu

*Department of Sociology, University of York
York, United Kingdom, YO10 5DD*

ABSTRACT. *At present, as a new form of content dissemination, short video has gradually changed the way people obtain information. As a result of meeting people's fragmented information acquisition needs, the overall scale of short video users presents an explosive growth trend. In 2019, Tiktok was recognized as an excellent representative of the short video industry. The Tiktok short video is chosen as the object of investigation. The commercial value of Tiktok short video is analyzed from the perspectives of users and traffic, brand and content, business mode and so on. Meanwhile, the existing profit models of Tiktok short videos are investigated in detail. Tiktok's profit methods mainly include open screen advertising, live earnings and e-commerce cooperation. Various ways have been used to close the business loop to address the ultimate goal of value realization.*

KEYWORDS: *Social media, Tiktok, business value, profit model*

1. Introduction

Mobile short video is also called short video, which is also a new way of spreading on the mobile Internet. Generally speaking, it refers to the form of video transmission within 5 minutes. With the popularization and application of mobile terminals such as mobile phones and Pads, this form of communication has been loved by major Internet platforms, users and capitalists. The media form of mobile short video is a way of displaying video content that is more in line with the habits of today's Internet users. Short video itself has great imagination in terms of content and functions. On the other hand, according to the differences in product performance, user classification and short videos on the current Internet platforms, the diversity and innovation of short videos are demonstrated.

When the Internet celebrity economic era is approaching, the video industry quickly rises up a large number of excellent UGC (User-generated Content). Excellent platforms including Tiktok, Tencent, Weibo, etc. have all entered the ranks of short video competition. In 2018, the short video industry has reached fierce competition, and content creators also focus on PGC (Professional Generated Content). With the development of the Internet, short videos are gradually influencing or even replacing the current mainstream media, such as newspapers,

magazines, television and other media, due to their fast spreading speed, wide spreading range, and large number of participants. Especially, with the rapid development of 5G technology, it has provided a great boost to the spread of short videos.

With the gradual popularization of 5G networks in the world, short videos will usher in an excellent opportunity for a new round of explosive growth. The influx of users from various countries will also promote the continuous high development of short video. It can be seen that short videos have now come to the fore and become a trend guide. Especially TikTok, a popular application, quickly became an essential application in the lives of people who love new things in a short time. As of January 2020, global DAU (Daily Active Users) data of Tiktok has reached 400 million (Ocean Insights,2018). Compared to 2019, it has increased by 150 million.

As short video platforms have developed business models and realized profitability, the potential of scale is also predictable. Since 2016, short video platforms have launched various business models such as Internet advertising, e-commerce diversion, and brand communication. Because of the soaring traffic of short videos, the effect of online marketing is beginning to appear. In the past few years, the short video industry has achieved stable development in terms of commercial development, profitability, and realization.

2. Literature review

2.1. Industry development and business model of Tiktok

From the definition point of view, short video does not have an accurate academic concept, more is the consensus formed within the short video industry. After entering the era of mobile Internet, smart phones have become an important carrier for people to watch videos. In order to better adapt to people's habits of using mobile phones, the length of short video has been greatly shortened. Tiktok limits the videos that users can upload within 15 seconds to 1 minute. Xiaoxiao, L (2017) summarized the characteristics of short video app as follows: content fragmentation, personalized expression, low production threshold and obvious pan entertainment tendency. The fragmentation and entertainment tendency of short video content expression is the inevitable result of its long and short characteristics.

EnfoDesk (2019) divides short video development into four stages. From 2005 to 2010 was the exploratory period, when video portals supported the production of original content by users. From 2011 to 2015, short video applications emerged in large numbers as mobile Internet technology matured. The content is mainly produced by professional media and netizens, and ordinary users follow the trend of imitation. From 2016 to 2020 is the period of rapid development, the market pattern is stable, and the user scale is close to saturation. Due to the sudden impact of the new crown epidemic on the world, most people have less time for outdoor activities, and an increasing number of people are using the Internet as a pastime. This is the reason for the explosive growth of Tiktok in China. It can be expected that after

2021 is the mature period for the application. During this period, users are basically stable, the realization model is clear, and new products start to appear.

Changle (2019) believes that the short video economy belongs to the attention economy, and he trusts that doing well in vertical segments can also yield considerable economic benefits. The attention economy refers to the fact that in today's information-overload era, attention is a scarce resource. Whoever captures people's attention will be able to retain users and gain wealth. This feature not only allows users to avoid many competitors, but also to gain a stable user base.

As a typical open platform, short video enterprises in line with the characteristics of the platform economy. Min and Huayong (2018) believes that the platform economy has six major characteristics. At first, the bilateral market features are obvious, linking different participants to complete, and it does not produce core values, but provides a platform for users. Secondly, the organization is flat, directly facing producers and consumers. Thirdly, the platform has multiple roles such as ecological leader, relationship coordinator and market intermediary, which is helpful for the construction of the platform ecosystem. Fourthly, it has network externality, and the marginal cost of new users will be reduced after reaching a certain scale.

2.2. The relationship between short video media and business

Social networks are becoming more and more influential. Chaher and Spellman (2012) pointed out that more companies have begun to use social media as an efficient instrument to connect with stakeholders and create a more trustworthy brand. They all understand the threats of using social media, but it is impractical to escape social media. Scholars suggest that companies must take a proactive approach to social media. Because experience has shown that companies that make good use of social media can offset potential barriers and increase corporate value.

Jalonen and Jussila (2016) correspondingly believes that not joining social media brings great risks to the business's management team. The dissatisfactory emotion of the consumer has led to negative media rumour. Once there is news on the social media platform, traditional media will soon follow up. Accordingly, the brand can carry out certain public relations and enhance its popularity through social media.

Aula and Pekka (2010) discussed the brand communication threat brought about by social media and believed that social media expanded the opportunity of reputation threat, so enterprises should regard social media as a strategic part of reputation management. Hutter et al (2013) used Facebook as a sample to evaluate the impact of social media activities on purchase intention and brand awareness. It is discovered that consumer participation, word-of-mouth and brand exposure have positive effects on brand awareness in the social media environment.

Yu (2018) describes the opportunities and challenges of social media advertising. He proposed strategies for the development of information flow advertising, such as improving user positioning and accurate delivery, listening to user feedback and balancing quantitative evaluation. This has a certain reference for the development

of enterprise communication.

3. The brand value of Tiktok

Commercial value refers to the economic value embodied in the process of production, consumption and transaction, including both the existing commercial value and the future commercial value. The commercial value of products includes but is not limited to market scope, profitability, brand awareness and so on (Papazafeiropoulou, 2014). As a short video mobile client, the core business value comes from its flow. As a huge flow guide in the mobile Internet era, the commercial value of Tiktok can be analyzed in detail from the following aspects.

The huge number of users and the continuous upward trend are the core of keeping the business value of Tiktok. As of 2020, the total number of downloads of Tiktok has been increasing exponentially, ranking the top of AppStore, with 500 million active users worldwide, covering 150 countries and regions at home and abroad. For the monthly number of independent mobile devices, the chattering is the seventh largest China Mobile app Tiktok in the long term, ranking the top of short video class clients.

According to the official Tiktok data, Chinese users of Tiktok are highly coincident with the main group of Chinese Internet users. Tiktok users are relatively balanced in age distribution, and the 25 to 35-year-old group is the largest Tiktok group. At the same time, the 25-35-year-old group is also the main user group of domestic Internet consumption (Tiktok.com, 2018). Therefore, the users' consumption ability and potential consumption ability are Tiktok. This also has Tiktok's commercial value.

The diversified content platform and the presence of authorities make Tiktok continue to grow. Along with the rapid growth of the number of platform users, the content of Tiktok is gradually changing to a more mainstream and diversified direction. It has formed a relatively diversified and rich content ecology, which can basically satisfy the user's desire for beauty and quality. The platform currently covers 19 categories of content, including food, music, parent-child, travel, sports, etc., forming a relatively balanced and harmonious symbiotic state.

In most of the relatively mature content social platforms, the attraction of celebrities and netizens often outweighs the content. The difference between Tiktok and Weibo is that on Tiktok, content is more attractive than fame, and vegetarian content can also get attention on Tiktok. This is also one of the key points to maintain the longevity of Tiktok.

4. The core commercial model of Tiktok

4.1. The advertising business model of Tiktok

Advertising is still the main realization model for various video sites. So far, the main advertising models on Tiktok are as follows: open screen ads, infomercials, product placement, custom challenges, and sticker partnerships.

As the name implies, open screen ads are the ads that appear before users open the app to go to the homepage. Open-screen ads are short in duration, usually less than 5 seconds. The ad format is mainly images and short videos. The advantage of open-screen ads is obvious: for an application like Tiktok with hundreds of millions of daily active users, open-screen ads mean hundreds of millions of brand exposure. Moreover, open-screen ads can reach users directly, thus reducing the intermediate link.

Information flow ads are the main advertising model used by Tiktok. The so-called infomercial ads are ads that are now in the content stream. It was first introduced by Facebook in 2006. There are many advantages of information stream ads. First, they do not affect the user experience, as they are interspersed between the content users are watching and can be ignored if they don't like it. Secondly, they can precisely reach the target users. Relying on the support of big data, information flow ads can be placed accurately, and the users who see the ads are the target customers of advertisers. Thirdly, the content is strong, and the information flow ads are combined with the platform content forms. Fourthly, information flow ads adopt the form that is favored by users, which is easy to be accepted and spread twice. Spontaneous secondary dissemination is formed when users praise and forward the ads.

Product implantation refers to the strategic display of product or brand information in various entertainment programs. Product insertion on Tiktok is mainly done through cooperation with Darren. Darren recommends products in short videos or places them in short video scenes, allowing the audience to view the product without

Perceptual exposure to advertising.

Sticker ads are the more popular form of advertising in Tiktok, it is the brand message included in the built-in video shooting props, users use the props to make and post videos, so as to achieve the purpose of brand communication. The sticker channel has foreground stickers and background stickers to make the user more immersive. The advantage of this form of advertising is that the user experience is very good. Its main features include active use by users, high acceptance and high share and spread rates. Many well-known big brands choose this method of advertising.

The Customized Challenge is an exclusive advertising and marketing method developed by Tiktok. The Customized Challenge is an advertising and marketing method that uses the most important operating logic of Jittering, such as "imitation",

to maximize the brand's marketing demands. For example, a brand may join hands with Tiktok to carry out a challenge on a specific holiday. Celebrities and internet celebrities will be the first to post a fun dance video, and users will follow suit. By catching up with the trend, the brand achieves maximum marketing tactics. Translated with www.DeepL.com/Translator (free version)

4.2. The e-commerce business model of Tiktok

Short video platform and e-commerce platform cooperation is already a mature business realization model. Currently, Tiktok is cooperating with Alibaba. When users enter Darren's homepage, a "user's product window" link will appear, and clicking on the link will take them to their personal store. Tiktok has a seamless connection with Alibaba, simplifying the shopping process and shortening the shopping time. This model turns customers' quick shopping impulses into shopping behavior and improves the conversion rate.

E-commerce platform cooperation is also a means for short video platforms to retain social media influencer. Quality advertising resources are limited, and most of them are concentrated in the hands of a few head honchos. Social media influencer accumulates fans through quality content, and then cooperates with e-commerce companies that match their content or opens their own stores on e-commerce platforms, incorporating products into content creation to attract fans to buy. Furthermore, Tiktok is reshaping young people's definition of trends through wide distribution and mass participation. Through KOL's (Key Opinion Leader) content output, Tiktok's relationship with trends and trendy brands is getting closer and closer. Short video masters making original trendy brands is becoming the new trend.

4.3. The live streaming business model of Tiktok

Live streaming is a new economic model that has emerged in recent years. Anchors showcase their talents through live streaming platforms and interact with fans in real time. Fans support the anchor through rewards and payments. The platform and the anchor split proportionally. Currently, webcasting is dominated by live show, live game and live shopping. Tiktok's live-streaming function is not to compete with live-streaming platforms, but to supplement them. The live streaming function of short video platforms is mainly based on the need for interaction between users and fans. Many celebrities have accumulated a large number of fans through high-quality short video content. Live streaming can help Daren to interact directly with their fans and deepen the relationship between themselves and their fans.

In the field of live broadcasting, most platforms use the show mode, where the anchor makes every effort to encourage fans to swipe gifts in order to rank on the list. In this model, fans who send more gifts can get a high degree of attention and a sense of presence. Thus, live streaming is a proven way to cash in. For the platform,

it is logical for Tiktok to try live streaming for cashing out in the face of unstable ad revenue. For social media influencer, live streaming not only helps Darren maintain fan loyalty, but also brings in a steady income.

5. Conclusion

Tiktok's value proposition has formed a fixed model, which is based on the organic coordination of all components to achieve sustainable and stable development of the enterprise. Since Tiktok's value proposition analysis has made an accurate prediction of the company's development prospects, Tiktok started by targeting students and young white-collar workers in first- and second-tier cities, who are curious about new things and willing to spend time and energy to explore new things. This group is curious about new things and willing to spend time and energy to explore new things. Tiktok has positioned itself as a content platform, which makes Tiktok not limited to satisfying the niche, but serving the masses, laying a solid foundation for it to become a universal phenomenon in the future.

Secondly, value creation and value proposition is an important part of corporate strategy: by reducing the difficulty of creating videos from the perspective of operation and technology, Tiktok motivates ordinary users to produce content and improves user retention rate. At the same time, Tiktok focuses on content production and ensures the production of high-quality content through cooperation with netizens or the training of vegetarian netizens to continuously attract new users.

Thirdly, value maintenance is an indispensable part of the value realization path, a guarantee for value realization. Tiktok makes full use of the mutual content mechanism to continuously expand the user scale through strong promotion and operation, achieving a scale effect and using network externalities to continuously grow itself and further widen the gap with other competing products. Tiktok's cooperation mechanism fully demonstrates its sense of service: Tiktok helps entertainment organizations to sign up Shakespearean celebrities, and assists advertisers in producing content more suitable for placement on the Tiktok platform.

Tiktok's value is highly recognized and widely accepted by the market, and its profit models include advertising, e-commerce, and live streaming, through which Tiktok has transformed its value from input to output.

Tiktok's path to value realization is not static and unchanging, but a dynamic cycle. Any value realization path has to include both demand side and supply side. From the short video value realization path, the user's demand constitutes the demand side of the path, while the short video platform is the supply side. The platform should grasp the user demand, take differentiated competitive strategy, form its own competitive advantage, constantly improve user experience, and eventually realize the user flow, so as to form a complete closed-loop. When user needs change and user groups expand, the platform should adjust its value proposition in time to adapt to the changes in user groups. The platform can also propose a forward-looking value proposition to better promote its own development by stimulating the potential needs of users.

References

- [1] Ocean Insights. (2020). China Mobile Internet Industry Data Research Report in 2020 Q1.
- [2] Xiaoxiao, L (2017). Development status and Countermeasures of short video APP. Jiangxi Normal University.
- [3] EnfoDesk. (2019). Annual inventory analysis of China's short video industry in 2018 [Online] Available at: <https://www.analysys.cn/article/detail/1001248> [Accessed 17 Nov, 2020].
- [4] Changle, T. (2019) Advantages and difficulties of short video social application in film marketing. *Contemporary film*, 277(04): 117-120
- [5] Min, L & Huayong, D (2018) Platform leadership's substantive choice. *China's industrial economy*, 000(002), P82-99
- [6] Aula & Pekka. (2010). Social media, reputation risk and ambient publicity management. *Strategy and Leadership*, 38(6), 43-49.
- [7] Hutter, K., Hautz, J., Dennhardt, S. and Füller, J. (2013), "The impact of user interactions in social media on brand awareness and purchase intention: the case of MINI on Facebook". *Journal of Product & Brand Management*, Vol. 22 No. 5/6, pp. 342-351.
- [8] Yu, C. (2018). Research on broadcast strategy of social media information flow advertising. Master's dissertation: Chongqing Normal University.
- [9] Chaher & Spellman, (2012). Corporate Governance and Social Media: A Brave New World for Board Directors. World Bank Other Operational Studies 17092, The World Bank.
- [10] Jalonon, H & Jussila, J. (2016). Developing a Conceptual Model for the Relationship Between Social Media Behavior, Negative Consumer Emotions and Brand Disloyalty. Turku University of Applied Sciences, Turku, Finland.
- [11] Papazafeiropoulou, A., Chen, H., Chen, T., Duan, Y., & Liu, H. (2014). Exploring the commercial value of social networks: Enhancing consumers' brand experience through Facebook pages. Vol. 27 No. 5, pp. 576-598.
- [12] Tiktok.com (2018) Tiktok short video marketing case manual